

**MINUTES OF A MEETING
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION
BOARD OF DIRECTORS**

June 21, 2017

Opening of Meeting:

1. A special meeting of the Board of Directors, Kentucky Workers' Compensation Funding Commission was held on June 21, 2017, in the Commission's conference room, located at 42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Ms. Angela Calloway announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified press notice and asked for roll call.

Directors Present:

4. Judy Long, Self-Insured Employers Representative
Ted Lockett, Labor Representative
Brooken Smith, Labor Cabinet
Edwin King, Designee for Secretary William Landrum, Finance & Administration Cabinet
Michelle Landers, KEMI
Stephanie Rich, Designee for Secretary Terry R. Gill, Jr., Cabinet for Economic Development

Others Present:

5. Reuben Jones, Executive Director, KWCFC
Louie Hord, Director of Fiscal Operations, KWCFC
Lisa King, Audit Review Manager, KWCFC
Renee Haddix, Director of Audit and Collections, KWCFC
Angela Calloway, Fiscal Services Officer, KWCFC
Gordon Stammel, Computer Network Manager, KWCFC
Michael Swansburg, General Counsel, Labor Cabinet
Marian Johnson, Division Director, Division of Workers' Compensation Funds
Bob Swisher, Acting Commissioner, Dept. of Workers' Claims
Ryan Barrow, Executive Director, Office of the Controller, OFM
Andrew Manno, Legislative Research Commission
Dustin Miller, Government Strategies/AIG

6. Madam Chair Long congratulated Mr. Edwin King on his recent appointment and thanked him for his service to the Board. Mr. King was appointed Executive Director of the Kentucky Housing Corporation, effective July 1, 2017.

Stakeholder Concerns: Reuben Jones (presentation on file for referral)

7. Mr. Reuben Jones reported the results of the collaborative effort of stakeholders for a successful implementation of House Bill 377 (HB 377). Concerns and solutions were discussed.
8. Ms. Michelle Landers added Kentucky Employers' Mutual Insurance (KEMI) has been working very well with the Department of Workers' Claims (DWC) gathering information needed to pay claims. She stated KEMI is working on the live transmittal and has a schedule of when DWC is going to issue the last check in order for KEMI to pick up and issue checks that are in pay status right now. Ms. Landers reported a meeting was held yesterday to work on a final agreement. It is anticipated the document will be signed next week.
9. Commissioner Bob Swisher stated DWC's focus has been to identify the liabilities KEMI is assuming to the extent they are known, primarily in terms of CWP claims currently in pay status. The LPTA maps out a process going forward where DWC and KEMI will continue to cooperate with each other as future liabilities are identified. He added there are hundreds of claims not in pay status but as those issues arise there will be a process in place through the LPTA to exchange appropriate information so KEMI can administer the fund in accordance with requirements of HB 377.
10. Mr. Swisher added the other aspect of the Department's participation has been on the asset side. He stated the Department is continuing to identify potential third-party segregation, litigation, and recovery available to KEMI.

HB 377 Implementation Timeline:

11. Mr. Reuben Jones presented an implementation timeline of HB 377 showing significant dates beginning with the Governor signing the bill into law on April 10, 2017, and noting the first assessment payment to KEMI on August 19, 2017.
12. Madam Chair Long asked for a motion to transfer CWP Funds per HB 377 and the LPTA on July 1, 2017, or as soon as practical.
13. Mr. Brooken Smith asked if the motion was to move the assets over effective July 1, 2017, or as soon as practical. He then wanted to know if the Board was taking any action with regard to the execution of the LPTA. Mr. Jones answered "Yes." Mr. Smith said he would like to have a discussion about the LPTA before taking action.

14. Mr. Smith expressed he is not comfortable with KWCFC and DWC accepting liability and/or waiving sovereign immunity for liability in the LPTA. These concerns were presented to KEMI and will be resolved before signing the final agreement.
15. Mr. Jones requested authority to continue negotiating the LPTA to make sure all concerns are met so he can execute the agreement.
16. Mr. Smith made a motion to provide the Executive Director Reuben Jones authority to continue the negotiations with KEMI. Mr. Ted Luckett seconded. Ms. Michelle Landers abstained from the vote.
17. Ms. Landers addressed claims in pay status. She stated the transfer of assets is needed prior to the next payment due date of July 14, 2017.
18. Madam Chair Long stated it was very important to never leave the claimants without funds and urged parties to resolve outstanding issues.
19. Madam Chair Long asked for a motion to go into Executive Session under KRS 61.810 (1) (c) & (f) to discuss litigation and personnel. Mr. Brooken Smith made the motion to go into Executive Session. Ms. Michelle Landers seconded the motion. Motion carried.

Open Session:

20. Mr. Brooken Smith made the motion to return to open session. Ms. Michelle Landers seconded the motion. Motion carried.

Legal Contract:

21. Mr. Edwin King made a motion to draft a Request for Proposal (RFP) to procure an attorney, or attorneys, on retainer for the Commission. Mr. Brooken Smith seconded the motion. Motion carried.
22. Madam Chair Long asked for a motion to approve modification to add funds to cover outstanding legal costs through June 30, 2017, contingent upon the state contract modification process. Ms. Michelle Landers made the motion. Mr. Ted Luckett seconded the motion. Motion carried.

Contract Update:

23. Mr. Louie Hord reported it is the recommendation of the staff to hire Blue & Co., LLC to perform the audit of financial statements for fiscal years 2017-2019 at a yearly cost of \$17,440.
24. Mr. Ted Luckett made the motion to award the contract to Blue & Co., LLC. Mr. Brooken Smith seconded the motion. Motion carried.
25. Mr. Hord reported it is the recommendation of the staff to hire Actuarial and Technical Solutions, LLC to perform the actuary study for 2017, and provide an update for 2018, at a total cost of \$112,000. He stated this contract is renewable for one additional 2-year period, at the same price.
26. Mr. Brooken Smith made the motion to accept the proposal as stated. Mr. Edwin King seconded the motion. Motion carried.

Personnel:

27. Madam Chair Long asked for a motion to approve the hiring of an Insurance Compliance Auditor. Ms. Michelle Landers made the motion. Mr. Ted Luckett seconded the motion. Motion carried.

Adjournment:

28. Ms. Michelle Landers made a motion to adjourn. Mr. Edwin King seconded the motion. Motion carried.


Chairman of the Board